

The landing of a French frigate in one of the Welsh harbors and orders from the government to the farmers to drive their stock into the interior, caused a run upon the Bank of England which finally brought the long dreaded catastrophe of suspension of payment in coin. The bank had been making frantic efforts for several weeks to contract their issues and had reduced them from £10,550,830 on January 21, 1797, to £8,640,250 on February 25th, but their cash was reduced on the latter date to £1,272,000. The cabinet met the next day, which was Sunday, and issued an Order in Council, "That the directors of the Bank of England should forbear issuing any cash in payment until the sense of Parliament can be taken."¹ A meeting of merchants was held on Monday, with the Lord Mayor in the chair, which adopted a resolution similar to that adopted on the successes of the Pretender in Scotland in 1745, that "we will not refuse to receive banknotes in payment of any sum of money to be paid us, and we will use our utmost endeavors to make all our payments in the same manner." A select committee was appointed by Parliament to inquire into the bank's affairs, and found them in a prosperous condition except for the scarcity of coin and bullion. Their assets were £17,597,280, representing a surplus of £3,826,890, exclusive of the government debt of £11,686,800, which paid three per cent. Suspension of payments was enacted until June 24th and the bank was authorized to issue notes under £5. The bank-notes were made legal tender and were to be received at par in the payment of taxes. The bank was authorized to receive special deposits in coin in exchange for notes and to repay three-fourths of the amount in coin if demanded. The restriction was prolonged on June 22d to one month after the meeting of the next session of Parliament and was again prolonged on November 30th, at the next session, until six months after the conclusion of a definitive treaty of peace.

The policy of the bank in restricting commercial discounts, though forced upon it in a measure by the demands of the

¹ Levi, 74.